

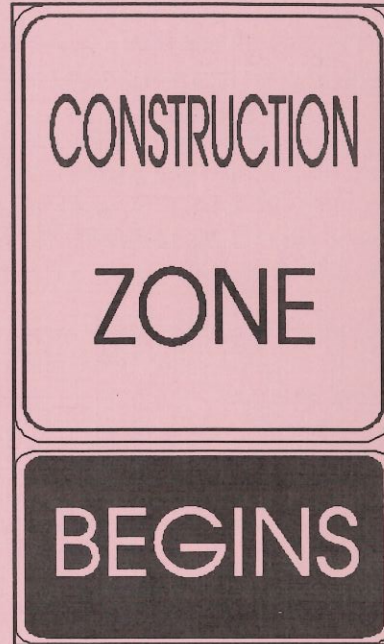
CAN WE HELP YOU FINANCE YOUR PUBLIC WORKS PROJECTS?



SPECIAL PUBLIC WORKS FUND PROGRAM

*(Program partially funded with
Oregon Lottery dollars for
economic development)*

OREGON COMMUNITY DEVELOPMENT FINANCIAL ASSISTANCE



Community Development Programs
Oregon Economic Development
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PROGRAM DESCRIPTION

The Special Public Works Fund (SPWF) Program provides loan and grant assistance to eligible municipalities for the construction of publicly owned infrastructure needed to: 1) support economic development projects that will result in a firm business commitment to create or retain permanent jobs; or 2) build infrastructure capacity in order to improve the community's ability to keep or attract business and industry. Program rules limit the benefitted business to manufacturing or destination resort facilities.

ELIGIBLE APPLICANTS

Cities, counties, port districts, water districts, county service districts, sanitary districts, tribal council of an indian tribe of this state, and metropolitan service districts.

ELIGIBLE ACTIVITIES

Improvement, expansion, and new construction of public sewage treatment works, public water supply works, (including projects which address the Safe Drinking Water Act) solid waste disposal, public roads, and public transportation. Public transportation includes parking, docks and wharves, depots, railroads, and airport facilities. Acquisition of sites, rights-of-way and easements for the infrastructure may also be eligible costs.

FUNDS AVAILABLE

Lottery funds are available for award as loans and grants for eligible infrastructure projects.

The SPWF statutes require that grants only be made when loans are not feasible due to the economic need of the applicant or special circumstances of the project. Projects that are not financially feasible are not funded.

LOAN TERMS

Up to 25 years, or the usable life of the asset, whichever is less. Interest rate: No less than 6.0%. The rate will vary with the rates offered by the bond market.

LOAN REPAYMENT

Sources of loan repayment include general funds, utility revenues, local improvement districts, voter approved bond issues, benefitted property owners, tax increment financing districts, franchise fees, other enterprise funds.

GRANTS

Grants are available if:

- 1) the municipality demonstrates that it cannot afford annual loan repayments; and
- 2) one or more businesses firmly commit to create at least one job for every \$10,000 granted as a result of the infrastructure project, or:
- 3) the eligible community is designated by OEDD as a Severely Affected Community, which 1) is suffering economic hardship due to declines in timber employment or, 2) is suffering declines in employment due to the listing of a threatened or endangered species or 3) is located in a county which has over one and one-half times the annual state unemployment rate. OEDD has an available list of designated Severely Affected Communities.

Firm Business Commitments

Where a business needs infrastructure to locate or expand and create or retain permanent jobs:

- * direct financing with SPWF lottery funds is available; loans of up to \$1,000,000 and grants of up to \$500,000;
- * bond financing (see reverse) is available: loans of up to \$10 million and grants of up to \$500,000;

Capacity Building Projects

Where there is a high probability of attracting business and industry through the construction of additional capacity in infrastructure systems:

- * bond financing is available: loans of up to \$10 million; (See Oregon Bond Bank.)
- * grants of up to \$250,000 are available for Severely Affected Communities only;
- * non-cash grants to pay issuance costs and a debt service reserve are paid by the SPWF program.

TECHNICAL ASSISTANCE GRANTS AND LOANS

Technical Assistance (TA) grants and loans may be awarded to eligible applicants with a population of 5,000 or less, for preliminary planning and engineering or legal, fiscal, engineering and economic investigations to determine the feasibility of an infrastructure project or for assistance in preparing an SPWF financing application.

TA grants shall not exceed \$10,000; TA loans shall not exceed \$20,000.

OREGON BOND BANK

OEDD has established the Oregon Bond Bank (OBB) to leverage additional financing. SPWF loans are pooled together and sold by OEDD as low interest revenue bonds. Revenue bond proceeds are then loaned to municipalities.

Recipients which participate in the Oregon Bond Bank may receive non-cash grants for the cost of bond issuance and debt service reserves.

Examples of the savings and costs to cities which participated in a recent sale of the Oregon Bond Bank follows to illustrate how the Oregon Bond Bank works. Basically, money borrowed from the SPWF, in the form of a loan to the municipality, is packaged with other community loans and sold on the Bond Market to generate funds for construction of the project. The pooled loans receive lottery subsidies provided by OEDD through the Oregon Bond Bank, for expenses such as debt service reserve funds and payment of issuance costs. These also result in a lower interest rate than could be obtained by a municipality selling bonds on its own.

EXAMPLES OF PROJECTS, COSTS AND SAVINGS

The following cities project loans were included in an Oregon Bond Bank sale on July 1, 1992, which received an interest rate of 6.5%.

Bay City: The City of Bay City received a \$500,000 loan and a \$500,000 grant to make major improvements to its sewage treatment plant and assist Tillamook Country Smoker expand and create 50 new jobs. The city also received a non-cash grant of \$45,704 for a bonded debt reserve fund and issuance costs. Its annual payment is \$44,731 repaid by sewer revenues. The city will save an estimated \$816,403 in the next 20 years by using the SPWF program.

Prineville: The City of Prineville received a loan of \$986,716 to expand its sewage treatment plant in order to attract new industry to the community. The city's non-cash grant was \$90,200 for a bonded debt reserve fund and issuance costs. Its annual loan payment is \$88,275 repaid by sewer revenues. The city will save an estimated \$325,408 by using the SPWF program.

Wilsonville: The City of Wilsonville received a \$1,510,916 loan to construct all utilities in an industrial area along the I-5 freeway. The city also received \$138,121 as a non-cash grant to provide a debt service reserve and pay bond issuance costs. Its annual payment is \$135,171 which will be paid by benefitted property owners. The city will save an estimated \$264,826 by using the SPWF program.

Baker City: The City of Baker City received a \$3.7 million loan to expand its water system for future economic development and comply with the Safe Drinking Water Act. The city received a non-cash grant of \$339,477. Annual payments will be \$332,225 to be repaid by water revenue funds. The city's estimated savings is \$650,896 in the next 20 years by using the SPWF program.

EXAMPLES OF ANNUAL PAYMENTS

Interest rates vary with each Oregon Bond Bank sale and are passed through without additional cost to local government. Terms (years to pay) can be shorter if necessary.

Loan Amount	Term	Interest	Annual Payment	Interest	Annual Payment
50,000	20	6%	6,793	6.50%	6,955
100,000	20	6%	8,718	6.50%	9,076
200,000	20	6%	17,437	6.50%	18,151
250,000	20	6%	21,796	6.50%	22,689
500,000	20	6%	43,592	6.50%	45,378
750,000	20	6%	65,388	6.50%	68,067
1,000,000	20	6%	87,185	6.50%	90,756
2,000,000	20	6%	174,369	6.50%	181,513
3,000,000	20	6%	261,554	6.50%	272,269

APPLICATIONS

A simple three page preapplication begins the process. Applications are accepted throughout the year and are reviewed on a first come first served basis. Review by staff focuses on whether the project meets program objectives and is feasible from both an engineering and financial perspective. Copies of the current SPWF Applicant's Handbook are available from OEDD on request.

Communities considering capital development for infrastructure are urged to contact Community Development staff for information and assistance.